

Year in Review Economic Briefing

Council of Economic Advisers



December 19, 2013

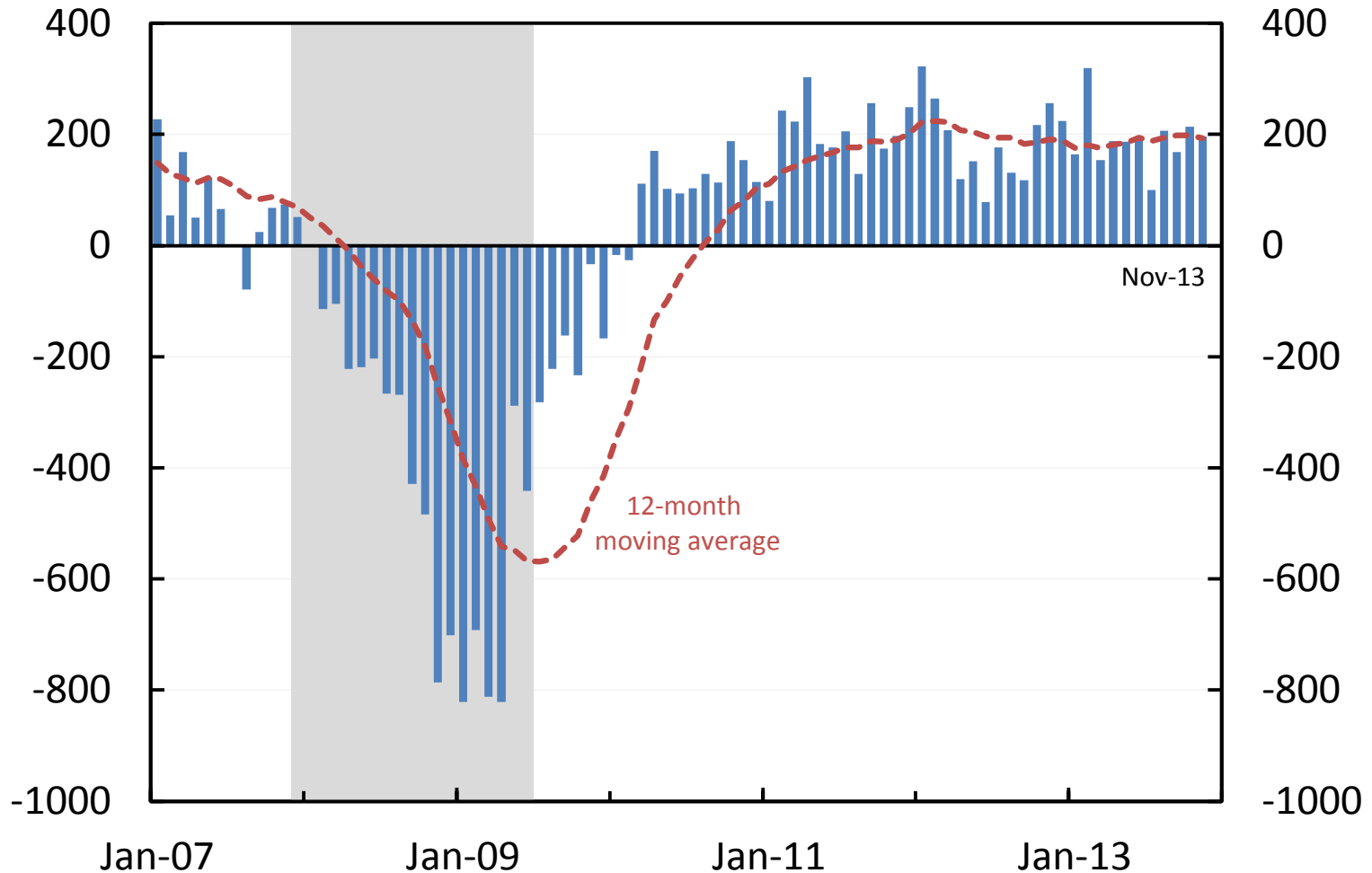
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Businesses Have Added 8.1 Million Jobs Over the Last 45 Months

Monthly Change in Private Payroll Employment

Thousands, Seasonally Adjusted

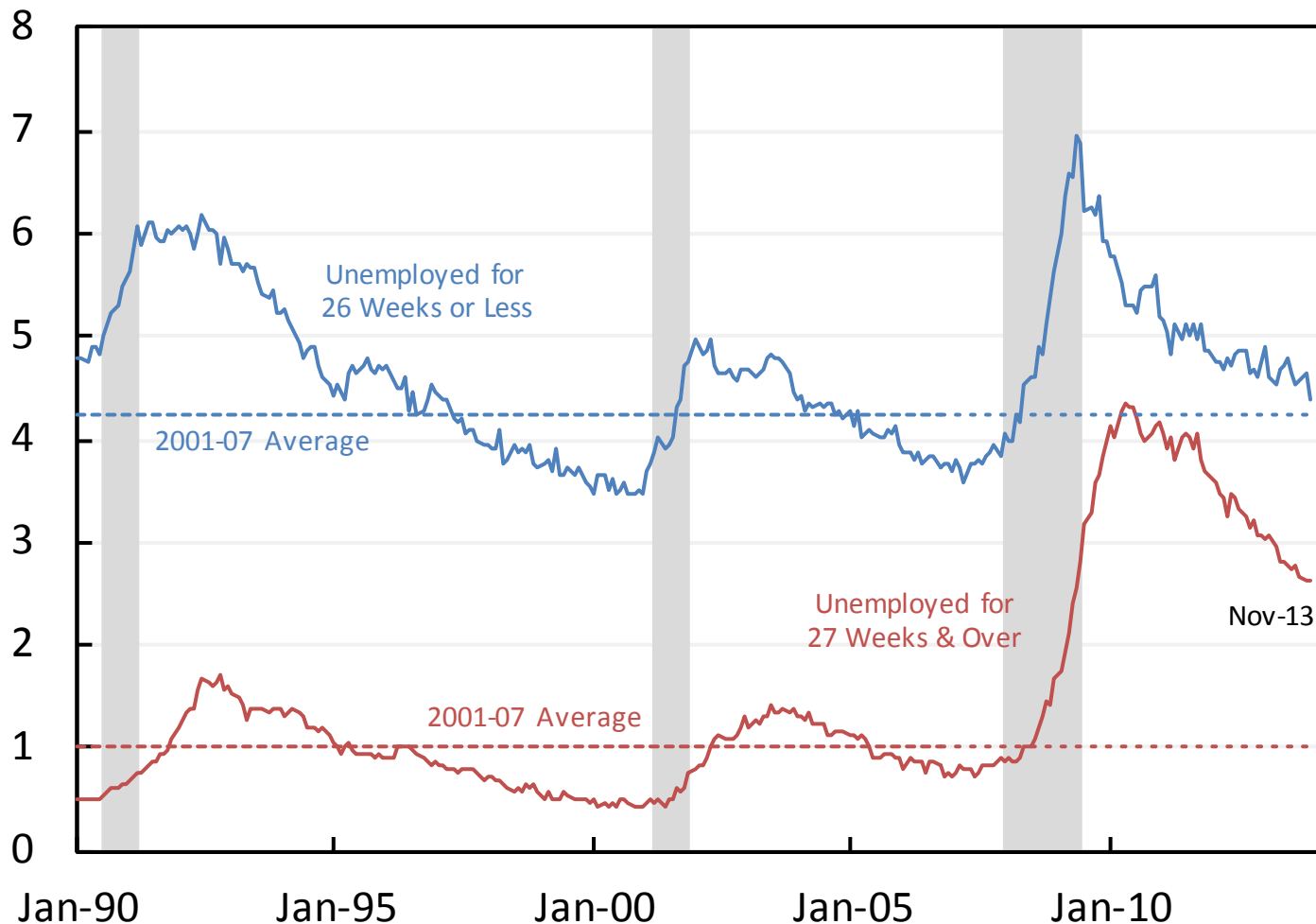


Source: Bureau of Labor Statistics.

The Unemployment Rate Has Fallen Steadily—But the Long-Term Unemployment Rate Remains Significantly Elevated

Unemployment Rate by Duration

Percent of Civilian Labor Force

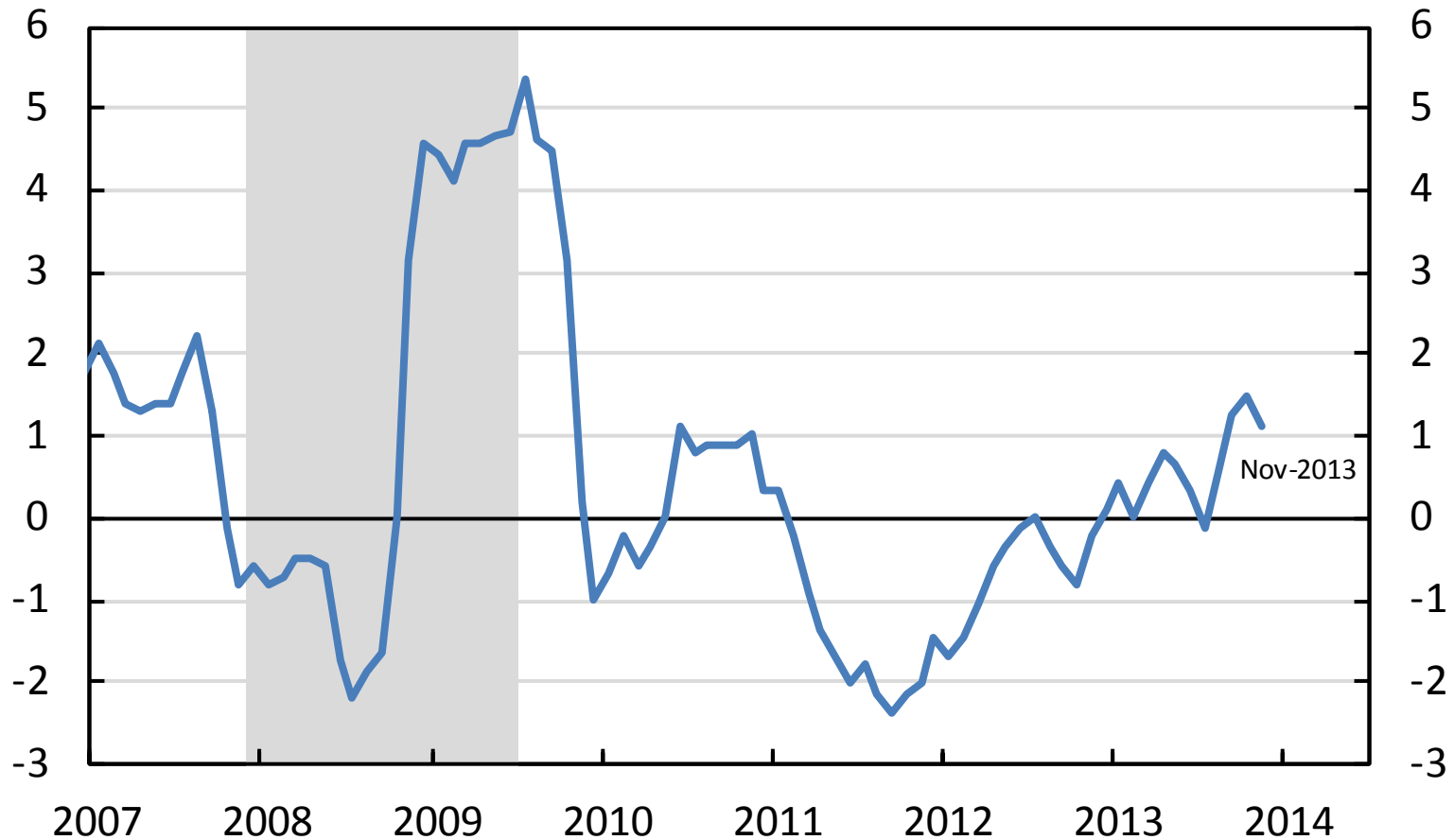


Source: Bureau of Labor Statistics.

Recent Months of Real Wage Growth Have Been Strongest Since 2009...

Growth in Real Average Hourly Earnings for Production and Nonsupervisory Workers

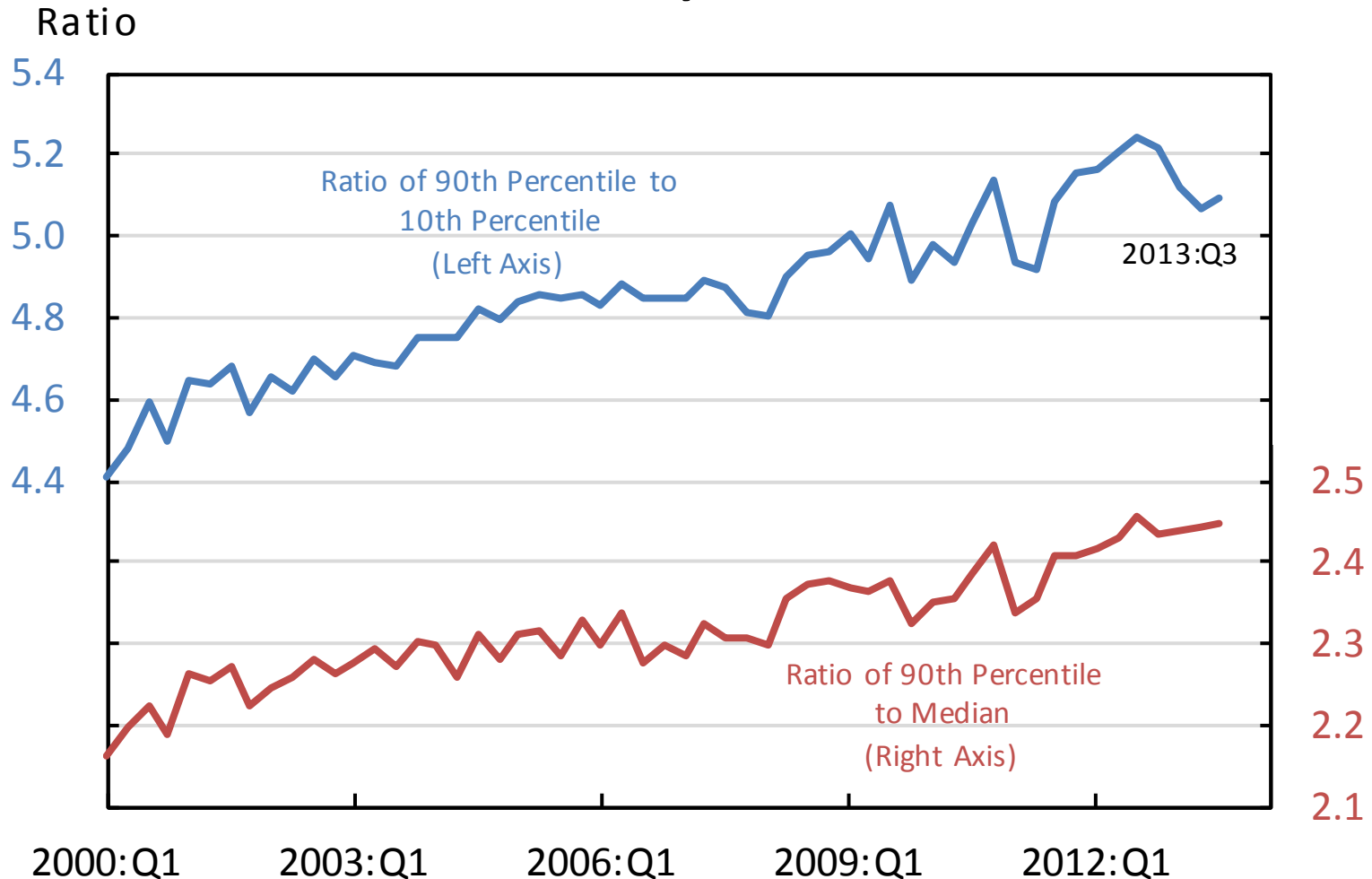
12-Month Percent Change



Source: Bureau of Labor Statistics.

...But Wage Inequality Continued its Decades-Long Increase

Usual Weekly Earnings for Full-Time Wage & Salary Workers, by Percentile

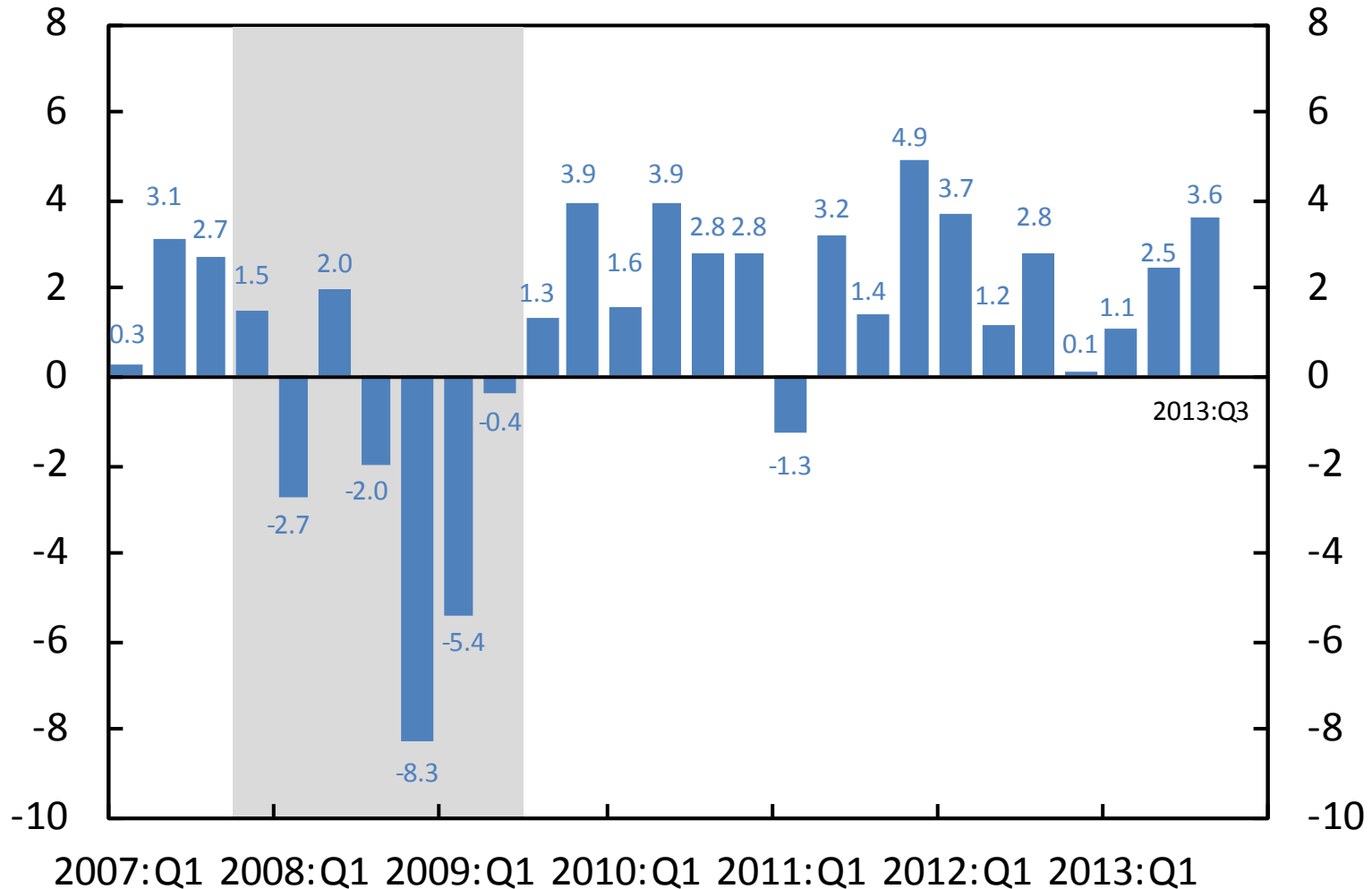


Source: Bureau of Labor Statistics.

Real GDP Growth in Q3 Was the Strongest in Over a Year

Real Gross Domestic Product Growth

Annualized Quarterly Percent Change

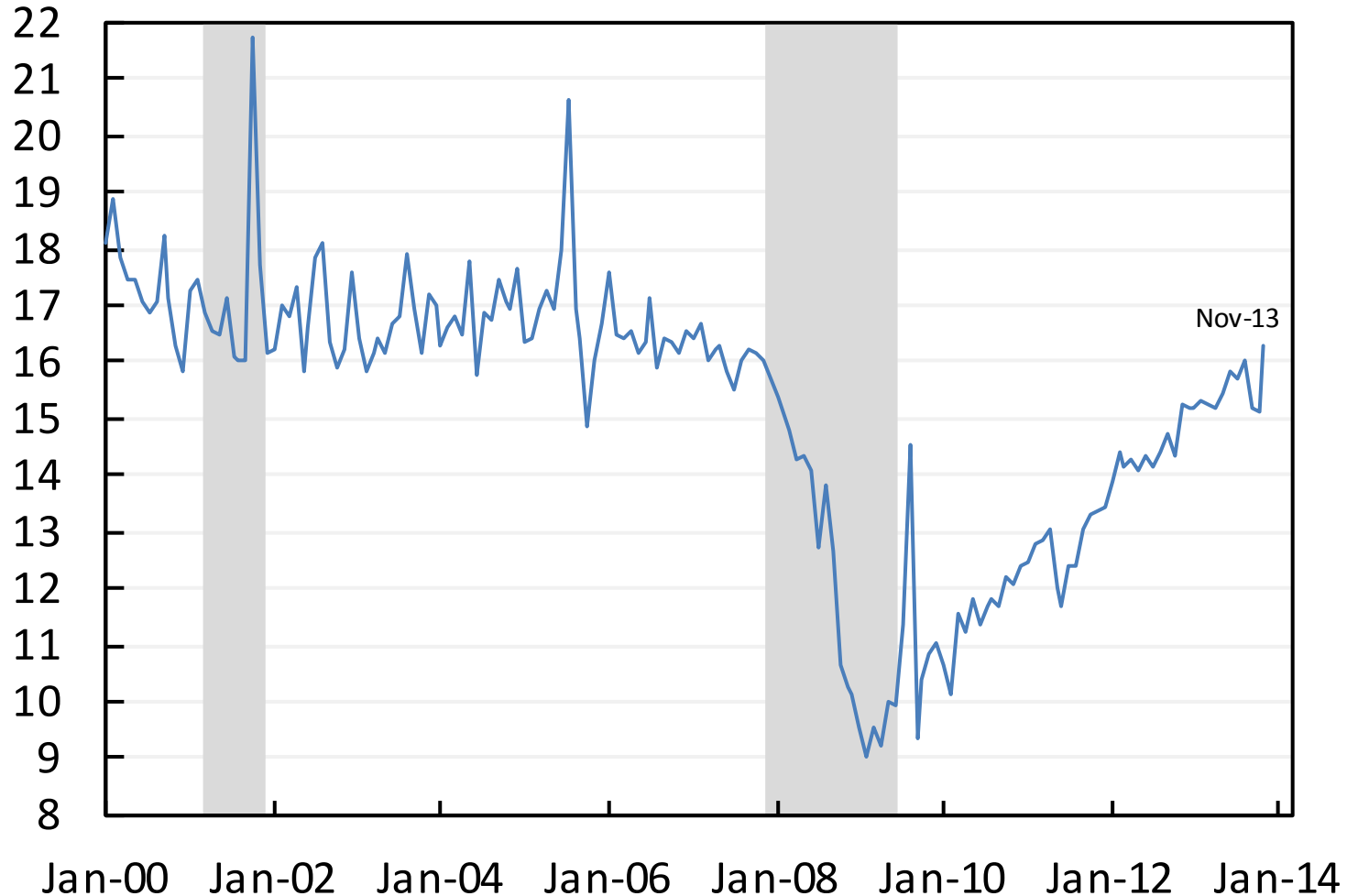


Source: Bureau of Economic Analysis.

Vehicle Sales Rose to a 5-Year High in November

Car and Light Truck Sales

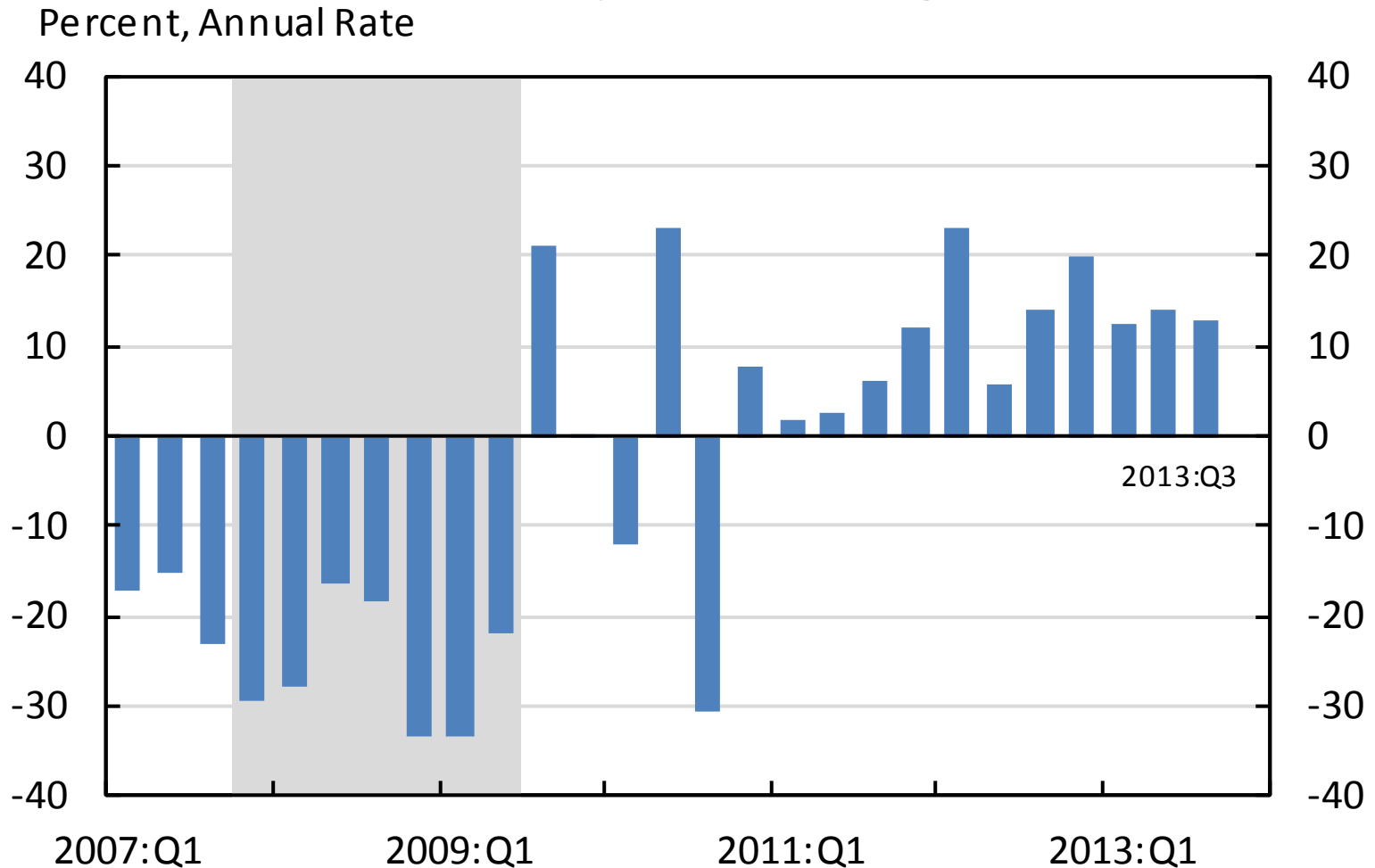
Millions of Units, Seasonally Adjusted Annual Rate



Source: Federal Reserve Board.

Residential Investment Has Contributed to Growth For 12 Straight Quarters...

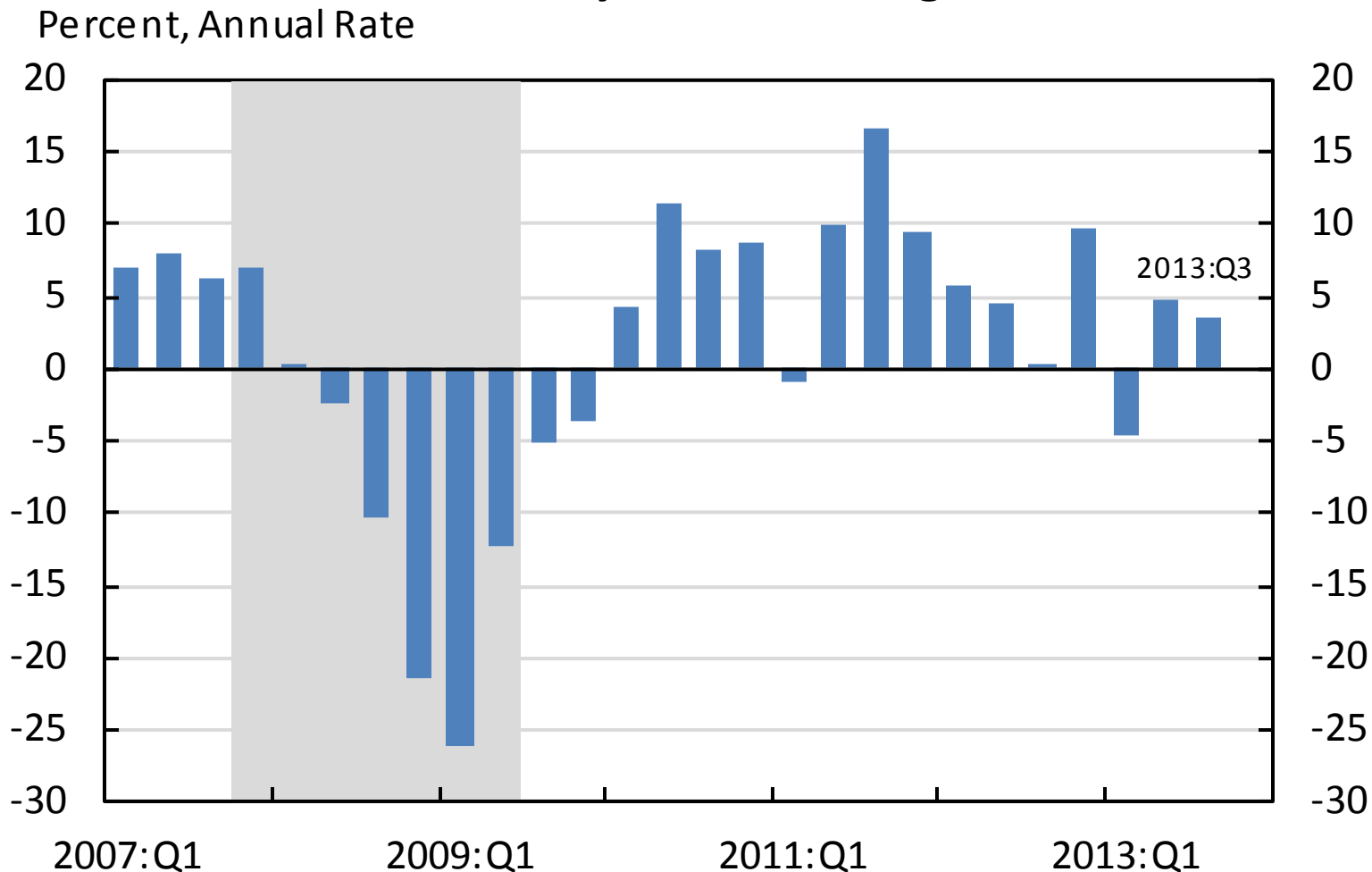
Real Residential Investment: Quarterly Percent Change



Source: Bureau of Economic Analysis.

...But Business Fixed Investment Has Grown More Slowly

Real Business Fixed Investment: Quarterly Percent Change

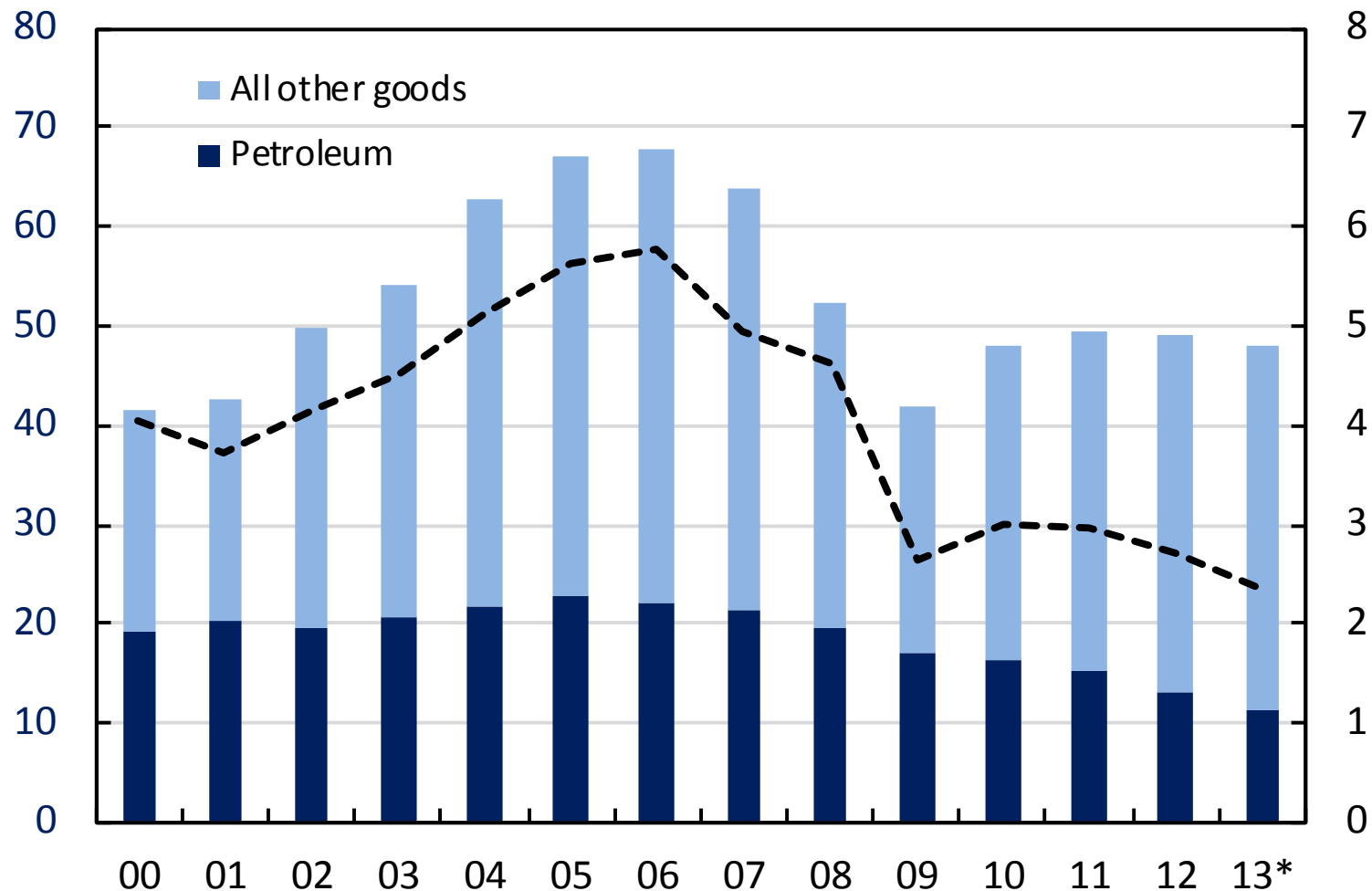


Source: Bureau of Economic Analysis.

The Trade Deficit Is Narrower than Pre-Crisis Years, Helped by a Falling Deficit in Petroleum Products—And the Current Account Deficit is the Lowest As a Share of the Economy Since 1998

U.S. Merchandise Trade and Current Account Deficits

Avg. Monthly Goods Trade Deficit, Bil. Chn. 09\$ Current Account Deficit Percent of GDP

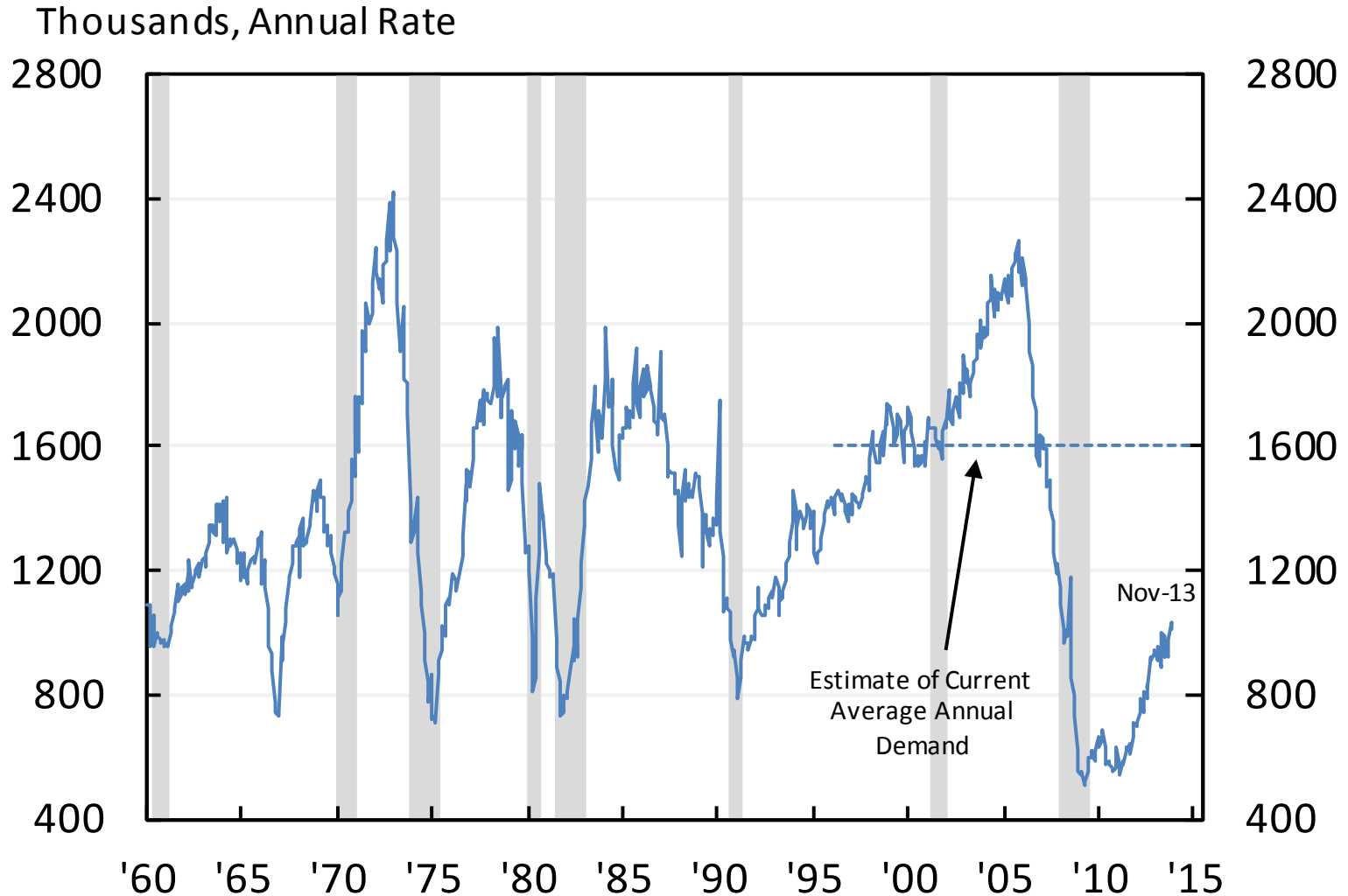


*2013 based on merchandise trade data through October and average current account through Q3.

Source: Census Bureau; Bureau of Economic Analysis.

Housing Has Been Recovering and There Is Still Upside Potential

New Residential Construction: Building Permits

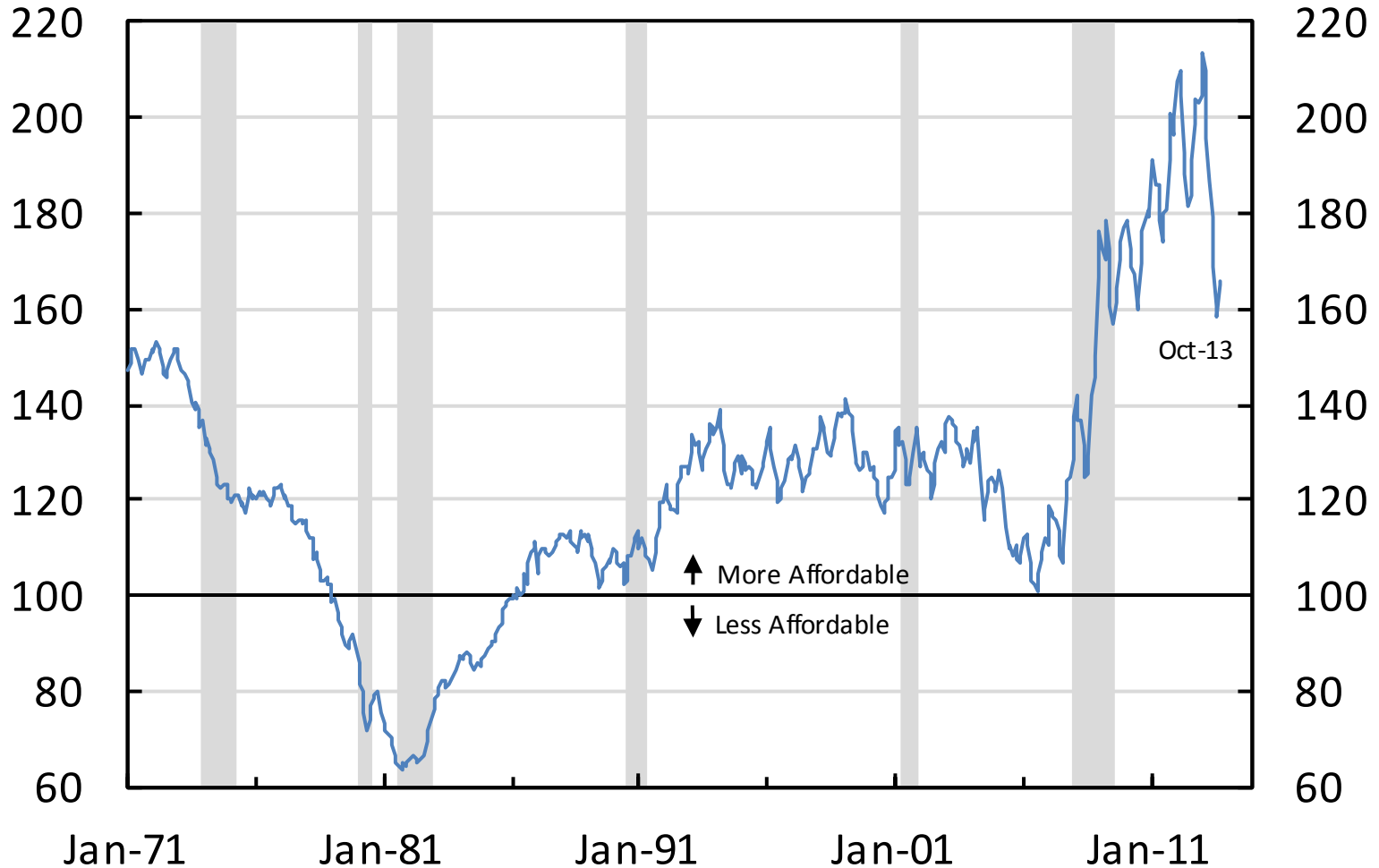


Source: Census Bureau.

Despite the Run-Up in Mortgage Rates, Home Prices Remain Affordable...

Composite Housing Affordability Index

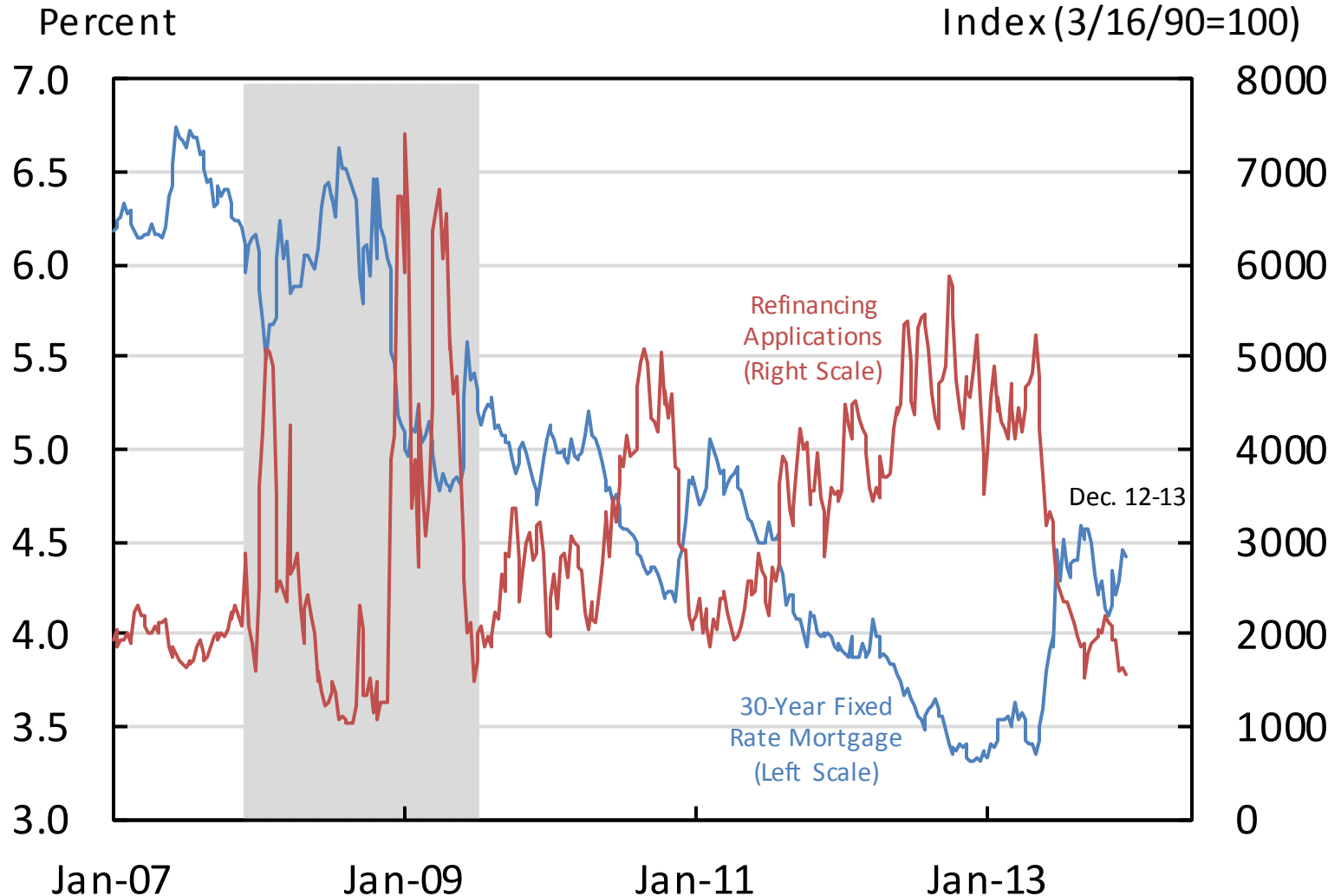
Index (Median Income = Qualifying Income = 100)



Source: National Association of Realtors.

...But Higher Rates Have Dampened Refinancing Activity

Mortgage Rates and Refinancing Applications

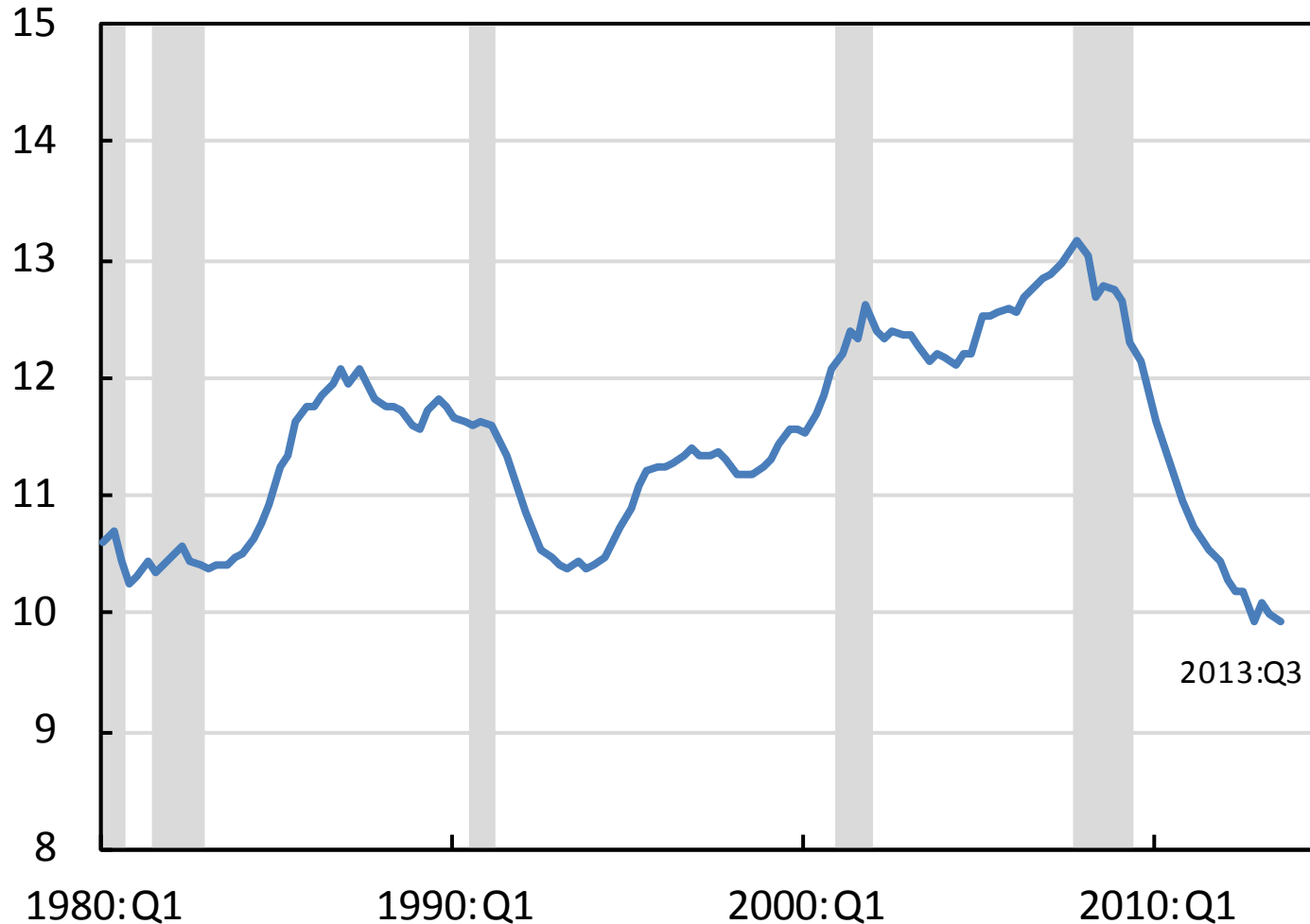


Source: Mortgage Bankers Association; Freddie Mac.

Household Debt Service Payments are At Lowest on Record

Household Debt Service Ratio

Percent of Disposable Income



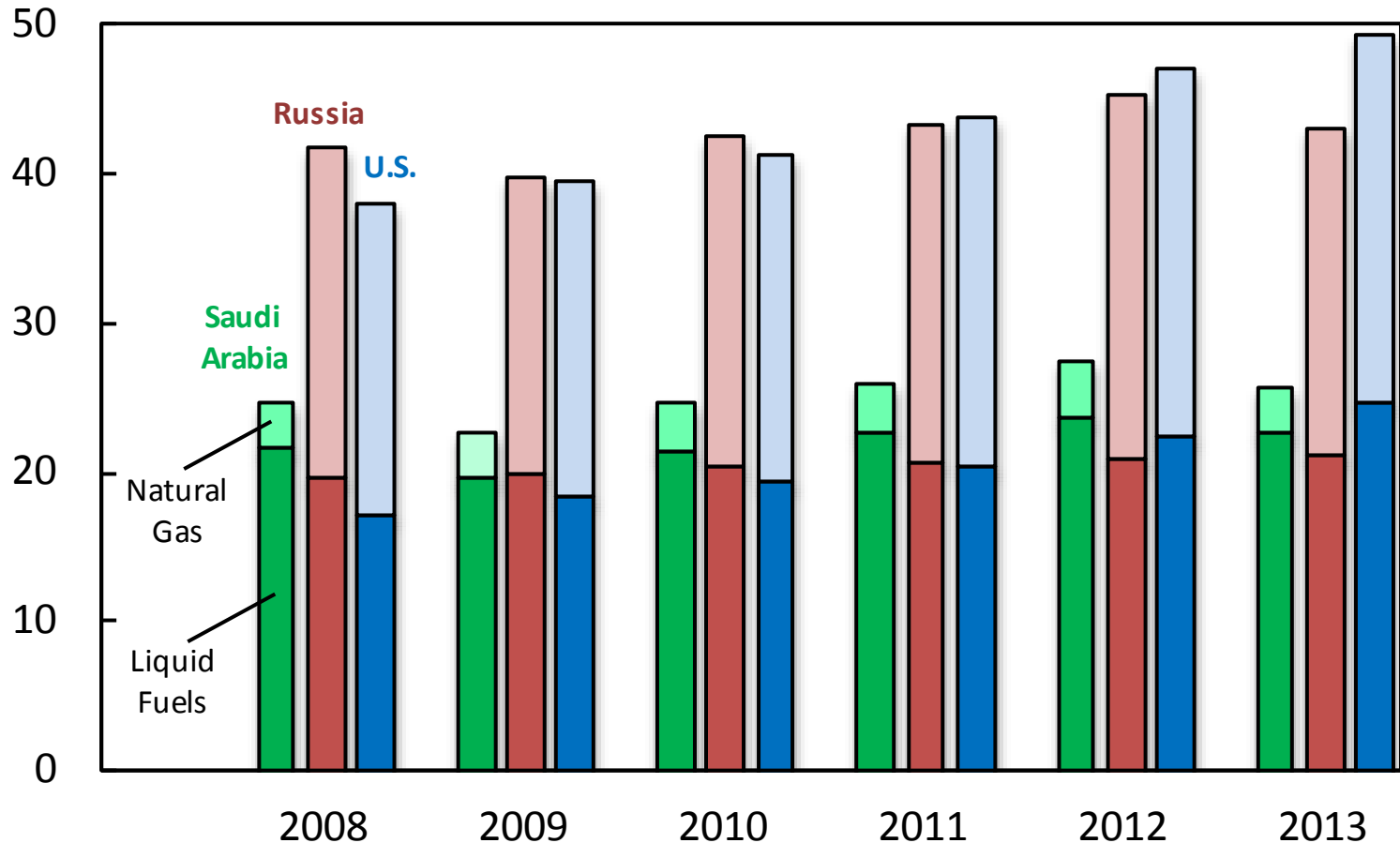
Note: Reflects estimated payments on mortgage and consumer debt.

Source: Federal Reserve Board.

The U.S. is Now Projected to Produce More Natural Gas and Total Liquid Fuels than Russia and Saudi Arabia

U.S., Russia, and Saudi Arabia Liquid Fuels and Natural Gas Production, 2008-2013 (est.)

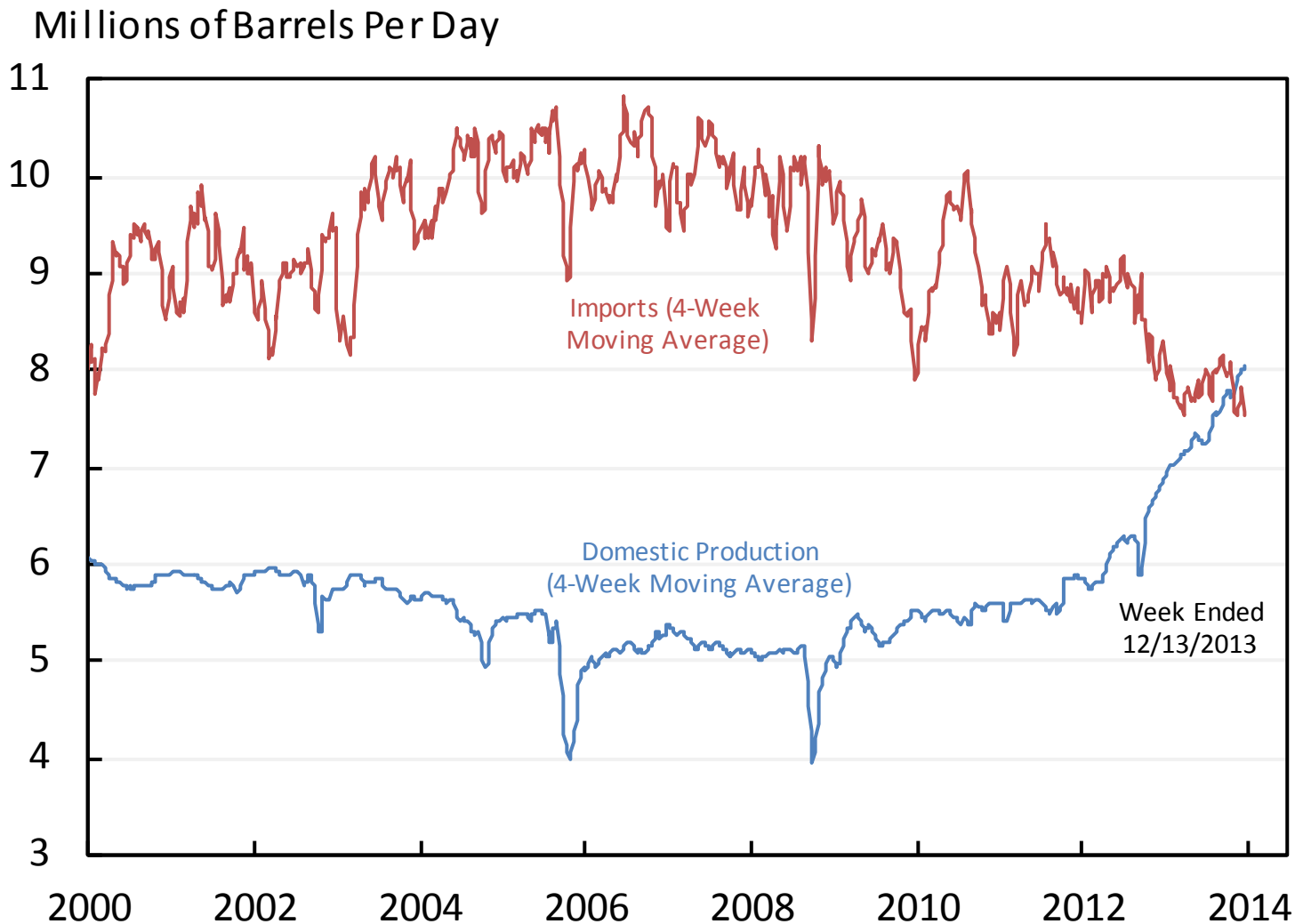
Quadrillion British Thermal Units



Source: Energy Information Administration.

Domestic Oil Production Has Exceeded Imports For First Time Since 1995

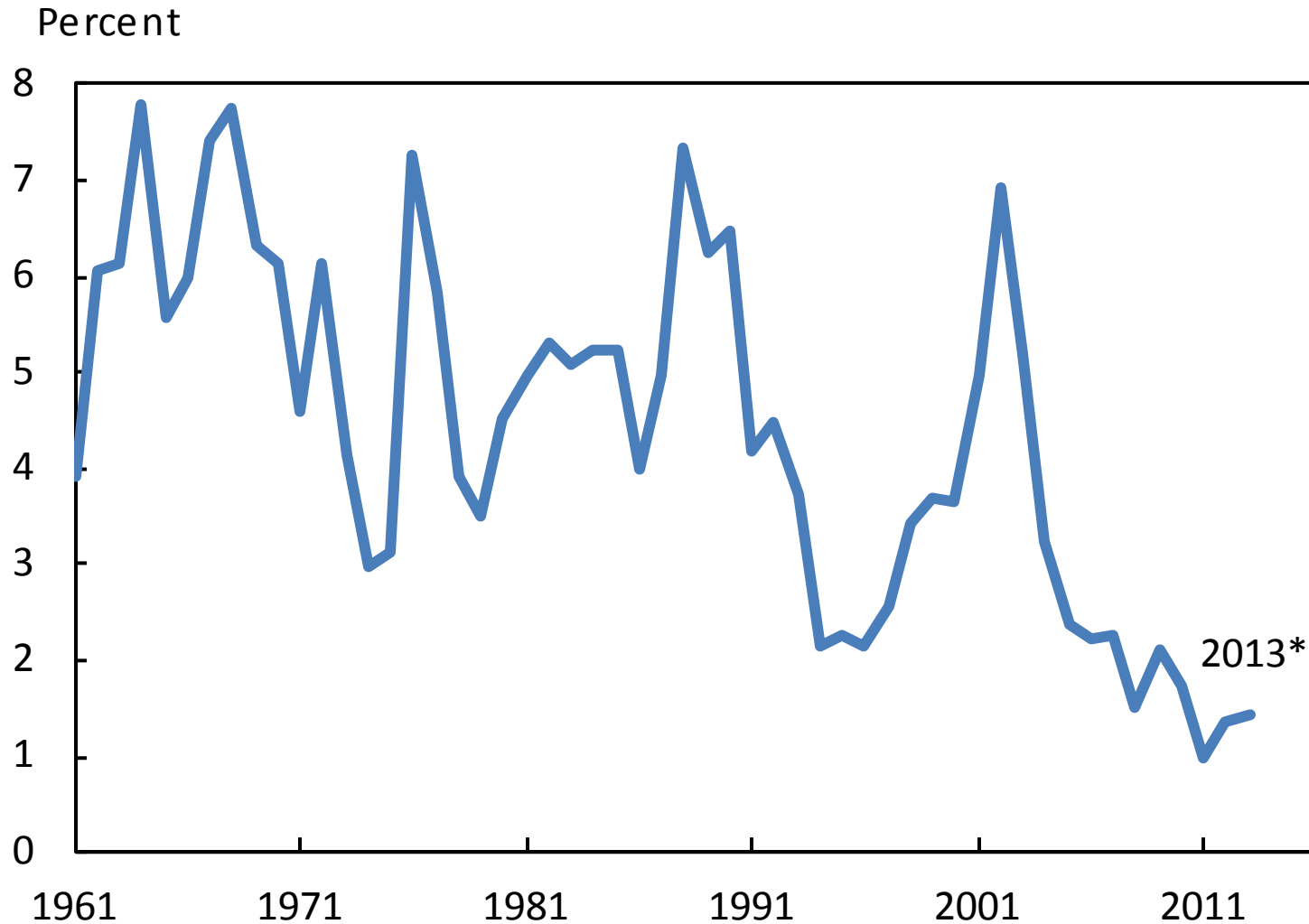
Crude Oil Production & Imports



Source: Energy Information Administration.

Recent Years of Health Care Cost Growth Are Lowest On Record

Real Per Capita Growth in National Health Expenditures

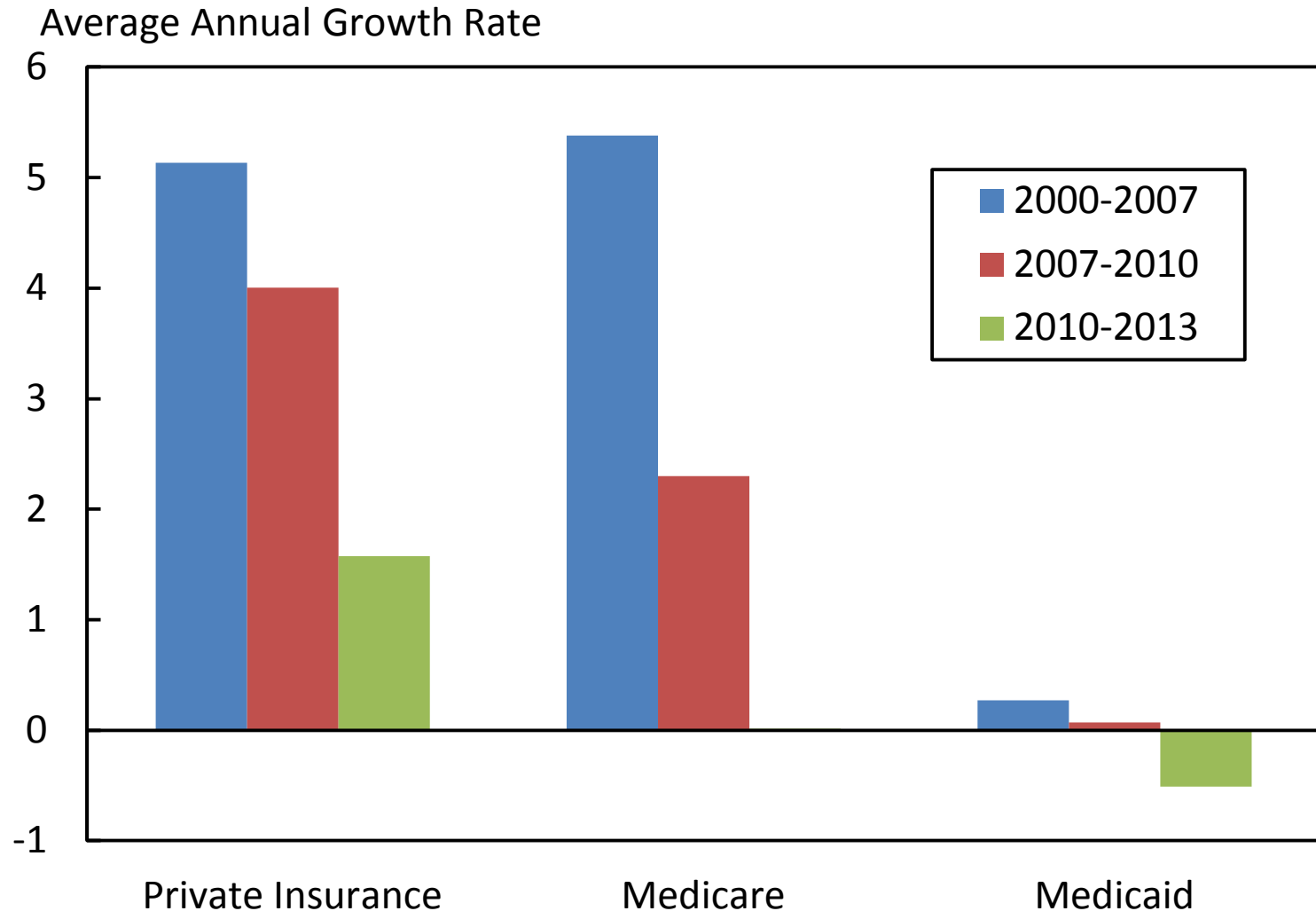


*Data for 2012 and 2013 are projections.

Source: CEA calculations based on data from the Centers for Medicare and Medicaid Services and the Bureau of Economic Analysis.

Health Care Cost Slowdown is Broad-Based

Real Per Enrollee Growth in Health Spending by Payer

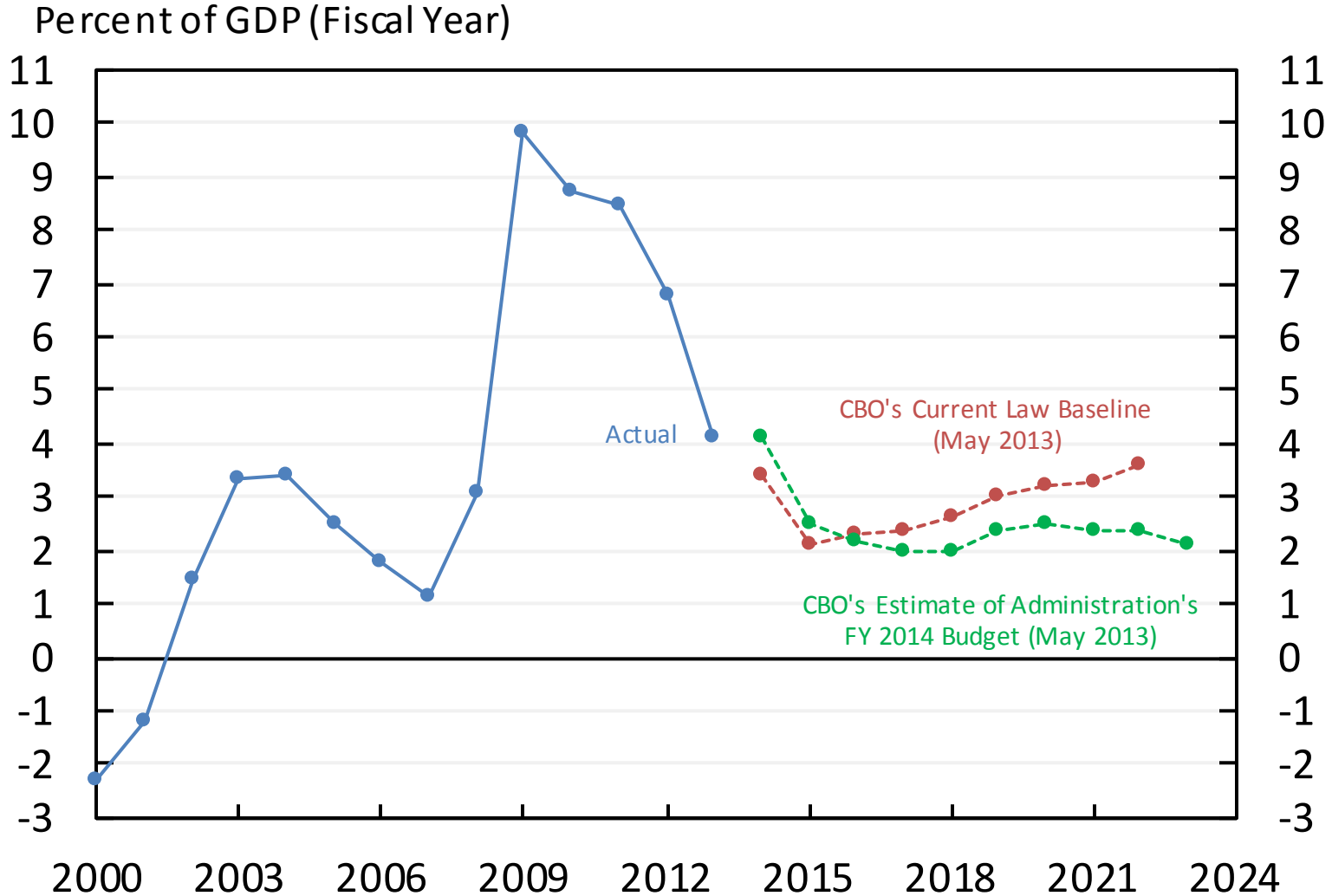


*Data for 2012 and 2013 are projections.

Source: CEA calculations based on data from the Centers for Medicare and Medicaid Services and the Bureau of Economic Analysis.

The Budget Deficit Has Fallen Rapidly – the President’s Proposals Would Stabilize Debt as a Percentage of GDP Over The Next 10 Years

Federal Budget Deficit

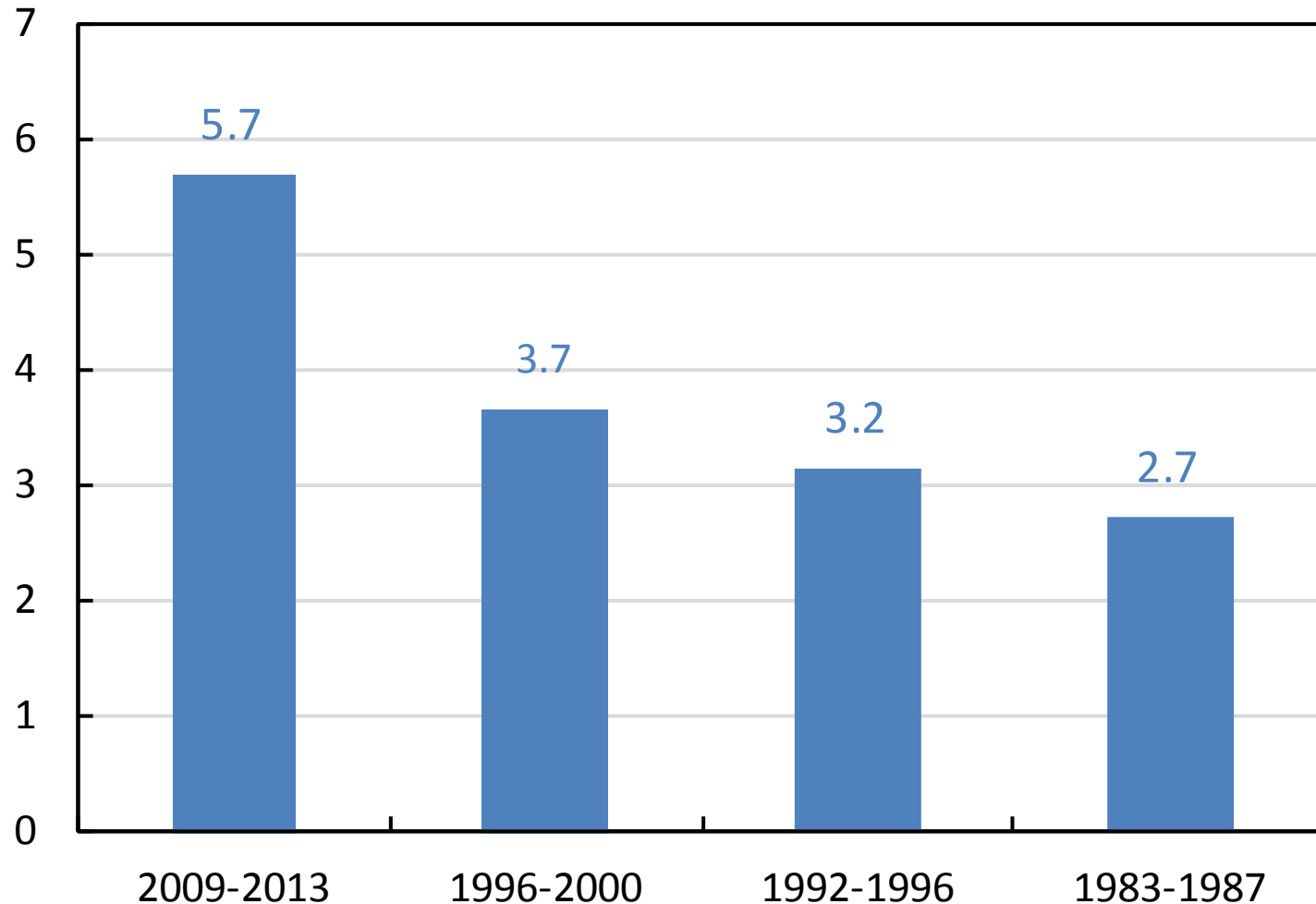


Source: Office of Management and Budget; Congressional Budget Office.

The Decline in the Deficit Since FY2009 Represents the Largest Four-Year Improvement Since the Demobilization from WWII

Largest Post-War Four-Year Deficit Reductions

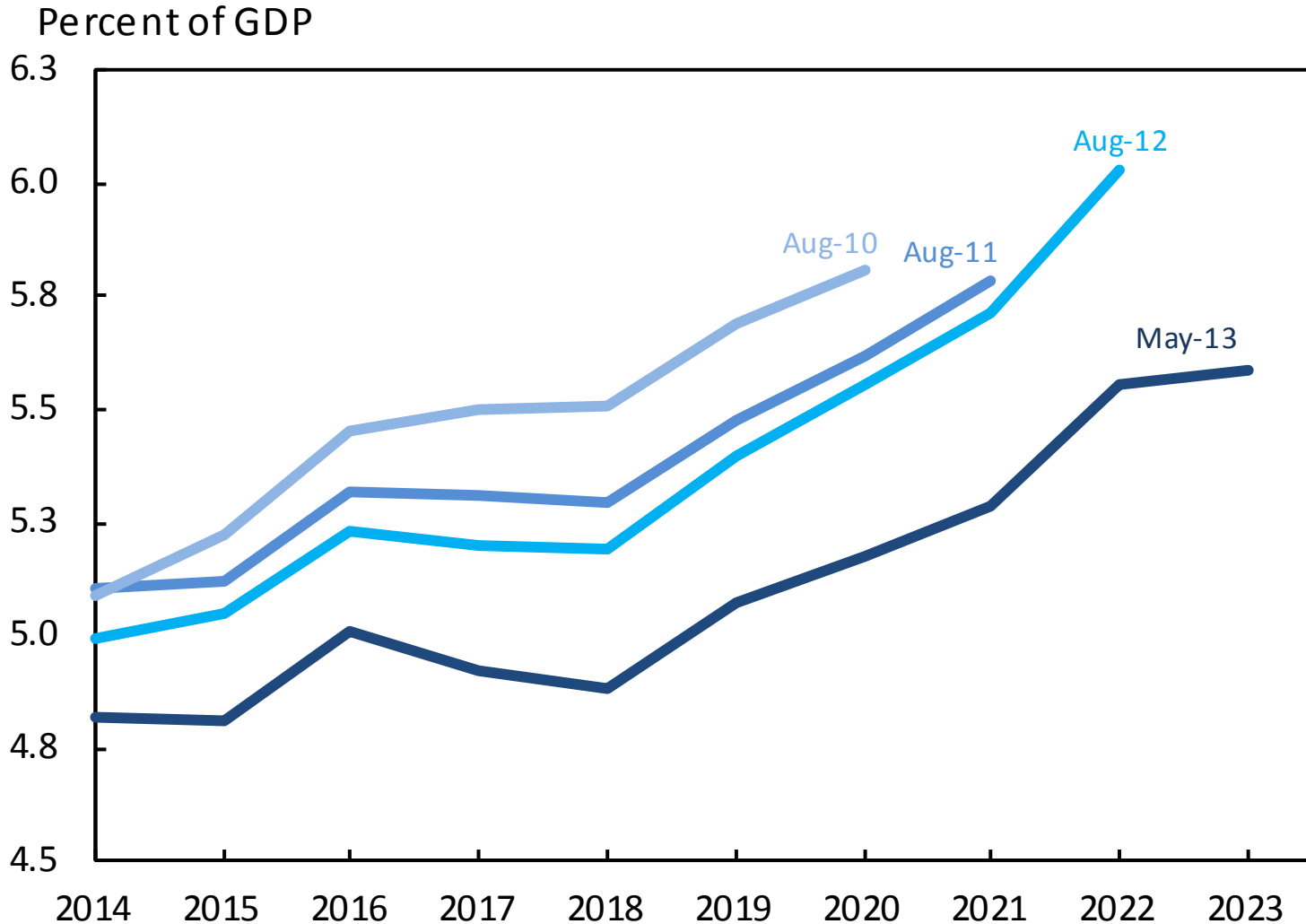
Percent of GDP (Fiscal Year)



Source: Office of Management and Budget; Congressional Budget Office.

Slowing Cost Growth Has Contributed to Lower Cost Estimates for Medicare and Medicaid

Recent CBO Projections of Medicare and Medicaid Outlays



Source: Congressional Budget Office.